



SLOUGH BOROUGH COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2017



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INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2017.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Department for Communities and Local Government (DCLG), of the pooling of housing capital receipts return for the year ended 31 March 2017.

The Council has also requested that we undertake certain 'agreed-upon-procedures', based on the instructions and guidance provided by the Department for Education, of the teachers' pensions return for the year ended 31 March 2017.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

Fees

We reported our original fee proposals in our 2016/17 audit plan.

Our fee for the certification of the housing benefits subsidy claim has increased from £20,625 (the indicative fee set by Public Sector Audit Appointments Limited) to £30,000 as we carried out, at management's request, the additional '40+ testing' normally completed by the Council. This additional fee is subject to approval by PSAA.

Our work on certifying the teachers' pensions return remains in progress as a result of significant difficulties experienced by the Council's shared service provider in responding to audit queries following a change in the payroll system during 2016/17. Depending on the extent of additional certification work required as a result of this, we will discuss fee overruns with management and report the final fee in our Annual Audit Letter.

Our final fee in respect of the pooling of housing capital receipts return remains the same as that reported in our audit plan.

| AUDIT AREA | PLANNED FEES (£) | FINAL FEES (£) |
|--|------------------|----------------|
| PSAA regime | | |
| Housing benefits subsidy claim | 20,625 | 30,000 |
| Total PSAA regime fees | 20,625 | 30,000 |
| Other certification work | | |
| Pooling of housing capital receipts return | 1,800 | 1,800 |
| Teachers' pensions return | 3,535 | TBC |
| Total certification fees | 25,960 | TBC |

KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification (or both), further information is provided. An action plan is included at Appendix II of this report.

| CLAIM OR RETURN | VALUE (£) | QUALIFIED | AMENDED? | IMPACT OF AMENDMENTS (£) |
|-------------------------------------|-------------|------------------|------------------|--------------------------|
| Housing benefit subsidy | £73,070,548 | YES | NO | N/A |
| Pooling of housing capital receipts | £10,915,919 | NO | NO | N/A |
| Teachers' pensions | £5,214,445 | Not yet complete | Not yet complete | Not yet complete |

HOUSING BENEFIT SUBSIDY

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £73,070,548. There were no amendments to the claim as a result of the audit.

FINDINGS AND IMPACT ON RETURN

Our audit of 60 individual claimant files highlighted a number of errors the Council made in administering benefit and calculating subsidy entitlement.

Guidance requires auditors to undertake extended 40+ testing if initial testing identifies errors in the benefit entitlement calculation or in the classification of expenditure that means that housing benefits were over paid. Such testing is also undertaken as part of our follow-up of prior year issues reported. This additional testing, combined with the original testing where there has been an overpayment of benefit, is extrapolated (or extended) across the population. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this as an observation within our qualification letter.

The results of additional testing and issues reported in the qualification letter are noted in the detailed findings section of this report.

Our work was completed and the claim was certified on 28 November 2017, ahead of the certification deadline of 30 November. Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy (based on our extrapolations where 40+ testing was carried out or actual errors based on 100% testing of the population) in a letter to DWP. The net effect of the qualified issues was that subsidy claimed was overstated by £646.

DETAILED FINDINGS

| Benefit type | Error description | Impact on claim |
|-----------------------------|---|---|
| QUALIFICATION ISSUES | | |
| Non-HRA Rent Rebates | <p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Testing of the initial sample of 20 cases identified one case where the Council pro-rated a part week subsidy instead of utilising the maximum weekly amount in full for the part week. This resulted in a misclassification of expenditure between cells on the claim form.</p> <p>Testing of the initial sample also identified one case where the Council apportioned an overpayment incorrectly between cells on the claim form.</p> <p>Testing of an additional random sample of 40 cases identified a further five cases where the Council misclassified expenditure between cells on the claim form.</p> <p>As a result of the errors identified, we extrapolated the errors over the remaining population of cases.</p> | <p>The total effect of these errors was as follows:</p> <ul style="list-style-type: none"> Cell 012 'Board and lodging or non self-contained licenced accommodation where the local authority is the landlord - Expenditure up to the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375)' was overstated by £804 (attracts full subsidy) Cell 013 'Board and lodging or non self-contained licenced accommodation where the local authority is the landlord - Expenditure above the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375)' was understated by £804 (attracts no subsidy). <p>As a result, subsidy claimed was overstated by £804. The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p> |
| Non-HRA Rent Rebates | <p>Misclassification of Non-HRA Rent Rebate expenditure</p> <p>Testing of the initial sample of 20 cases identified one case where the Council used the incorrect number of bedrooms in applying the subsidy cap, resulting in a misclassification of expenditure between cells on the claim form.</p> <p>Testing of an additional random sample of 40 cases identified a further four cases where expenditure was misclassified between cells.</p> <p>As a result of the errors identified, we extrapolated the errors over the remaining population of cases.</p> | <p>The total effect of these errors was as follows:</p> <ul style="list-style-type: none"> Cell 014 'Short term leaded or self contained accommodation where the local authority is the landlord - Expenditure up to the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375)' was understated by £817 (attracts full subsidy) Cell 015 'Short term leaded or self contained accommodation where the local authority is the landlord - Expenditure above the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375) was overstated by £817 (attracts no subsidy). <p>As a result, subsidy claimed was understated by £817. The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p> |

DETAILED FINDINGS

| Benefit type | Error description | Impact on claim |
|---|--|--|
| QUALIFICATION ISSUES (CONTINUED) | | |
| <p>Non-HRA Rent Rebates</p> | <p>Misclassification of Non-HRA Rent Rebate overpayments</p> <p>Our testing in the prior year identified six cases where benefit was overpaid as a result of the Council not creating an overpayment when the claimant moved address. Testing of the initial sample of 20 cases in the current year did not identify any errors of this nature. However, testing of an additional random sample of 40 cases, where claimants moved address in the current year, identified two cases where the system failed to recognise overpayments and the issue was not detected by the Council.</p> <p>As a result of the errors identified, we extrapolated the errors over the remaining population of cases.</p> | <p>The total effect of these errors was as follows:</p> <ul style="list-style-type: none"> • Cell 026 'LA error and administrative delay overpayments' was understated by £523 (attracts no subsidy) • Cell 028 'Eligible overpayments' was understated by £67 (attracts 40% subsidy) • Cell 014 'Short term leased or self contained accommodation where the local authority is the landlord - Expenditure up to the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375)' was overstated by £590 (attracts full subsidy) <p>As a result, subsidy claimed was overstated by £563. The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p> |
| <p>Rent allowances</p> | <p>Misclassification of Non-HRA Rent Rebate overpayments</p> <p>Testing of the initial sample identified one case where an overpayment was included in the incorrect cell on the claim form.</p> <p>Testing of an additional random sample did not identify any further cases where an overpayment was misclassified between cells.</p> <p>As a result of the errors identified, we extrapolated the errors over the remaining population of cases.</p> | <p>The total effect of these errors was as follows:</p> <ul style="list-style-type: none"> • Cell 113 'LA error and administrative delay overpayments' was understated by £239 (attracts no subsidy) • Cell 114 'Eligible overpayments' was overstated by £239 (attracts 40% subsidy). <p>As a result, subsidy claimed was overstated by £96. The claim form was not amended for the extrapolated error and we reported this in our qualification letter to DWP.</p> |

DETAILED FINDINGS

| Benefit type | Error description | Impact on claim |
|-----------------------------|---|--|
| OBSERVATIONS | | |
| Non-HRA Rent Rebates | <p>Underpaid benefit - family premium not applied</p> <p>Testing of the initial sample of 20 cases identified one case where benefit had been underpaid as a result of the Council not including the family premium in the applicable amount calculation despite the claimant having dependent children.</p> <p>This error will always result in an underpayment of benefit, therefore no additional testing was undertaken.</p> | <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.</p> |
| Non-HRA Rent Rebates | <p>Underpaid benefit - incorrect state pension increase applied</p> <p>Testing of the initial sample of 20 cases identified one case where benefit had been underpaid as a result of the Council using a state pension increase that was higher than the actual pension figure provided by DWP.</p> <p>This error will always result in an underpayment of benefit, therefore no additional testing was undertaken.</p> | <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.</p> |
| Rent allowances | <p>Underpaid benefit -incorrect state pension increase applied</p> <p>Testing of the initial sample of 20 cases identified one case where benefit had been underpaid as a result of the Council using a state pension increase that was higher than the actual pension figure provided by DWP.</p> <p>This error will always result in an underpayment of benefit, therefore no additional testing was undertaken.</p> | <p>As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.</p> |

DETAILED FINDINGS

| POOLING OF HOUSING CAPITAL RECEIPTS | FINDINGS AND IMPACT ON RETURN |
|--|--|
| <p>Local authorities are required to pay a portion of any housing capital receipt they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.</p> <p>The return provided for audit recorded total housing capital receipts subject to pooling of £10,915,919 to DCLG.</p> <p>DCLG requires that this return is certified but the work is not part of PSAA’s certification regime. We therefore agreed a separate letter of engagement to provide a reasonable assurance report.</p> | <p>Our review did not identify any issues.</p> |
| TEACHERS’ PENSIONS | FINDINGS AND IMPACT ON RETURN |
| <p>Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer’s contributions, to the Teachers’ Pensions office. (the body which administers the Teachers’ Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers’ Pensions.</p> <p>The Department for Education requires that Form EOYC is certified but the work is not part of PSAA’s certification regime. . We therefore agreed a separate letter of engagement to provide an agreed-upon procedures report.</p> | <p>Our work on certifying the teachers’ pensions return remains in progress as a result of significant difficulties experienced by the Council’s shared service provider in responding to audit queries following a change in the payroll system during 2016/17. We will update the Audit and Corporate Governance Committee when this work is complete.</p> |

APPENDICES

APPENDIX I: STATUS OF 2015/6 RECOMMENDATIONS

| RECOMMENDATION | PRIORITY | RESPONSIBILITY | TIMING | PROGRESS | STATUS |
|--|----------|--|-----------|--|--|
| <p>Housing benefit claim</p> <p>Our audit found a number of errors in respect of Non-HRA rent rebate expenditure, in particular:</p> <ul style="list-style-type: none"> • Misclassification between board and lodging or non self-contained licensed accommodation and short term leased or self-contained licensed accommodation • Misclassification between expenditure up to the LHA cap and expenditure above the LHA cap • Apportionment of part week payments • Overpayments not being created when a claimant is paid twice. <p>We recommend that the Council and its transactional services supplier carries out significantly increased reviews of non-HRA rent rebate cases throughout the year to address issues reported, in particular classification issues that have been reported for the past two years.</p> | High | SBC transactional services supplier and contract manager | June 2017 | <p>The Council carried out a number of checks and data cleansing during 2016/17.</p> <p>The 2016/17 audit identified fewer errors to those reported in previous years.</p> | See Appendix II for recommendations relating to the 2016/17 audit of non-HRA rent rebates. |
| <p>Housing benefit claim</p> <p>A number of errors were identified in respect of negative amounts included within HRA rent rebate expenditure attracting full subsidy.</p> <p>We recommend that the Council reviews all cases that net to a negative value in respect of HRA rent rebate expenditure attracting full subsidy before the 2016/17 claim form is finalised and amends all errors.</p> | High | SBC transactional services supplier and contract manager | June 2017 | The review was completed in respect of the 2016/17 claim. | Closed. |

APPENDIX I: STATUS OF 2015/16 RECOMMENDATIONS

| RECOMMENDATION | PRIORITY | RESPONSIBILITY | TIMING | PROGRESS | STATUS |
|--|----------|--|-------------|--|---------|
| <p>Housing benefit claim</p> <p>Errors were identified in respect of rent allowance expenditure where rent free weeks had been paid to the landlord and no overpayment had been raised and where an overpayment had been raised this had been incorrectly classified.</p> <p>We recommend that the Council reviews all rent allowance cases where rent free weeks have been paid throughout the year and ensures that overpayments have been raised and that they have been classified correctly within the claim form.</p> | High | SBC transactional services supplier and contract manager | June 2017 | <p>The Council carried out a number of checks and data cleansing during 2016/17.</p> <p>The 2016/17 audit identified fewer errors to those reported in previous years.</p> | Closed. |
| <p>Housing benefit claim</p> <p>An error was identified in respect of incorrect war pension amount being input in relation to modified schemes testing.</p> <p>We recommend that the Council reviews all modified schemes cases to ensure they have been calculated correctly (in respect of all aspects of the case as there tends to be different types of errors identified each year).</p> | High | SBC transactional services supplier and contract manager | June 2017 | <p>The Council carried out a number of checks and data cleansing during 2016/17.</p> <p>The 2016/17 audit did not identify any errors of this nature.</p> | Closed. |
| <p>Pooling of housing capital receipts</p> <p>Our audit testing identified that buyback allowance (relevant interest) figures for quarters 1, 2 and 4 had not been input into the return. We recommend that the Council carries out a sense check of the return and a year-on-year comparison of amounts to identify and follow-up amounts that may have been input incorrectly.</p> | High | Head of Financial Reporting (Deputy Section 151 Officer) | August 2017 | Buy back allowances were incorrectly inserted into the 2016/17 return. | Closed. |

APPENDIX II: 2016/17 RECOMMENDATIONS

| CONCLUSIONS FROM WORK | RECOMMENDATIONS | PRIORITY | MANAGEMENT RESPONSE | RESPONSIBILITY | TIMING |
|--|---|----------|--|--|--|
| <p>Housing benefit claim</p> <p>Our audit found errors in respect of Non-HRA rent rebate expenditure, in particular:</p> <ul style="list-style-type: none"> Misclassification between expenditure up to the LHA cap and expenditure above the LHA cap Overpayments not being created when a claimant moved address. | <p>We recommend that the Council and its transactional services supplier carries out further reviews of non-HRA rent rebate cases throughout the year to address issues reported, in particular classification issues that have been reported for the past three years.</p> <p>We recommend the Council completes this before the 2017/18 claim form is finalised and amends all errors. The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p> | Medium | <p>SBC note the mistakes stated but would reiterate the sums involved were £550 on £18.5m</p> <p>SBC will continue to check random cases in the large cells and full caseload in the smaller cells of the claim form prior to submission</p> | SBC transactional services supplier and contract manager | Prior to submission of 2017-18 claim (30 th April 2018) |
| <p>Housing benefit claim</p> <p>Our audit found errors in respect of the classification of rent allowances overpayments.</p> | <p>We recommend that the Council and its transactional services supplier carries out further reviews of rent allowances overpayment classifications to address issues reported.</p> <p>We recommend the Council completes this before the 2017/18 claim form is finalised and amends all errors. The Council will be required to ensure that a clear audit trail is retained of these checks and amendments (if applicable) so that we can clearly follow the work that has been completed to address these issues.</p> | Medium | <p>SBC note the mistakes stated but would reiterate the sums involved were £96 on £55m</p> <p>SBC will continue to check random cases in the large cells and full caseload in the smaller cells of the claim form prior to submission</p> | SBC transactional services supplier and contract manager | Prior to submission of 2017-18 claim (30 th April 2018) |

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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